Budget 2008

THE RIGHT PLAN FOR
TODAY & TOMORROW

First Quarter Fiscal Update 2008–09

August 2008

Alberta

UPDATING ALBERTANS

The *First Quarter Fiscal Update* consists of two parts – the updated 2008-09 forecast for the entire fiscal year and the actual results for the first three months of the fiscal year (April 1 to June 30, 2008).

TABLE OF CONTENTS

2008-09 FORECAST

Highlights 1
Fiscal Summary 1
Revenue 2
Revenue 3
Expense 4
Expense Summary 5
Expense by Ministry 5
Capital Plan 6
Capital Plan Summary 6
Net Financial and Capital Assets 7
Balance Sheet 7
Other Tables
2008-09 Fiscal Year Assumptions and Sensitivities 8
Net Financing Requirements 8
Capital Account 8
Capital Grants to Local Authorities and Other Infrastructure Support 9
Capital Investment and Amortization 10
Alberta Sustainability Fund 11
Cash Adjustments/Requirements 11

ACTUAL RESULTS 12
Consolidated Fiscal Summary 13

2008–09 FORECAST

HIGHLIGHTS

- **Revenue.** $46.6 billion, an increase of $8.0 billion from budget. The increase is due primarily to a $7.1 billion increase in resource revenue. Oil prices are now forecast to average US$119.25/barrel (WTI) for the year and natural gas prices are forecast to average Cdn$8.50/GJ (Alberta Reference Price).
- **Expense.** $38.1 billion, an increase of $1.0 billion from budget. The additional spending reflects increases in emergency/disaster assistance, operating expense, natural gas rebates and capital grants.
- **Surplus.** $8.5 billion, an increase of $7.0 billion from budget. The surplus is being used to address infrastructure requirements and for savings.
- **Capital Plan.** The increase in the surplus will allow an additional $5 billion in capital support. $4 billion has been allocated to two new capital funds to support public transit and carbon capture and storage. A further $1 billion has been added to the Capital Account to address infrastructure requirements in 2008-09 and future years.
- **Savings.** $3.1 billion is being saved in 2008-09. This includes $525 million required to inflation-proof the Heritage Fund and $2.5 billion for which a final allocation decision has not yet been made.

FISCAL SUMMARY[a]

(millions of dollars)

		2008-09		
		Budget	1st Quarter Forecast	Change from Budget
1	**Revenue**	38,571	**46,584**	8,013
2	**Expense**[b]	37,003	**38,051**	1,048
3	**Surplus**	1,568	**8,533**	6,965
4	Net transfer from (to) Sustainability Fund/Capital Account	(1,243)	**(8,416)**	(7,173)
5	**Contingency Allowance**	325	**117**	(208)
6	**Cash Available For Allocation**			
7	Surplus	1,568	**8,533**	6,965
8	Cash from 2007-08 4th quarter	49	**928**	879
9	Cash adjustments[c]	(1,189)	**(1,264)**	(75)
10	**Net Amount Available for Allocation**	428	**8,197**	7,769
11	**Allocation**			
12	Savings			
13	Heritage Fund - inflation proofing	279	**525**	246
14	Heritage Fund - deposit	19	**19**	-
15	Unallocated	-	**2,508**	2,508
16	Capital			
17	Carbon Capture and Storage Fund	-	**2,000**	2,000
18	Public Transit Fund	-	**2,000**	2,000
19	Capital Account	30	**1,045**	1,015
20	Alberta Enterprise Corporation	100	**100**	-
21	**Total Allocation**	428	**8,197**	7,769

[a] Subject to the Fiscal Responsibilty Act. Does not include changes in results of Crown-controlled SUCH sector organizations or in pension obligations.

[b] Capital investment is not included in expense. 2008-09 capital investment is forecast at: 2,817 2,951 134

[c] Adjustments to the surplus due to cash requirements. Includes retained income of funds and agencies, cash required for capital investment and other cash adjustments. See page 11 for details.

REVENUE

NON-RENEWABLE RESOURCE REVENUE

Non-renewable resource revenue is forecast at $18.8 billion, an increase of $7.1 billion from the budget estimate. The increase reflects higher oil and natural gas prices. Energy prices have swung widely over the first 5 months of the fiscal year making it extremely difficult to predict resource revenue.

Natural gas royalties are forecast at $8.7 billion, $3 billion higher than the budget estimate. The increase is due to higher-than-expected natural gas prices, which are forecast to average Cdn $8.50 per gigajoule (GJ) for the fiscal year, an increase of Cdn$1.75 from the budget estimate. Year-to-date (April to August) prices have averaged about $9.00/GJ.

Total **oil royalties** are forecast at $8.5 billion, $3.5 billion higher than the budget estimate. The increase in royalties is due to an increase in oil prices, which are forecast to average US$119.25 per barrel over the fiscal year, up US$41.25 from the budget estimate. Year-to-date (April to August) prices have averaged about US$125.00 per barrel. The increase in prices is partly offset by lower production.

Revenue from **bonuses and sales of Crown leases** is forecast at $1.5 billion, $627 million higher than budgeted. The increase is due to higher conventional and oil sands land sales.

TAX REVENUE

Personal income tax revenue is forecast at $8.6 billion, unchanged from the budget estimate.

Corporate income tax revenue is forecast at $4.3 billion, up $487 million from the budget estimate. The increase is due to a stronger outlook for corporate profits as a result of higher energy prices.

Other tax revenue is forecast at $3.8 billion, up $71 million from budget. Increases in revenue of $100 million from freehold mineral rights tax and $16 million from insurance taxes, are partly offset by a combined decrease in revenue of $45 million in tobacco and fuel taxes.

TRANSFERS FROM GOVERNMENT OF CANADA

Transfers from the Government of Canada are forecast at $3.9 billion, $138 million higher than budgeted. Health and social transfers have increased by a net $127 million from budget due to revised estimates of the 2007 national tax transfer.

Other transfers are a net $11 million higher than budgeted, due primarily to higher agriculture support transfers.

INVESTMENT INCOME

Total investment income is forecast at $2.1 billion, up $185 million from the budget estimate. Higher asset balances and higher investment returns on shorter-term investments account for the increase.

OTHER REVENUE

Total other revenue is forecast at $5.0 billion, essentially unchanged from the budget estimate.

REVENUE

(millions of dollars)

	2008-09 Budget	1st Quarter Forecast	Change from Budget	Main Reasons for Change from Budget
Income Taxes				
Personal income tax	8,614	**8,614**	-	
Corporate income tax	3,774	**4,261**	487	Increased corporate profits
	12,388	**12,875**	487	
Other Taxes				
School property tax	1,450	**1,450**	-	
Tobacco tax	890	**860**	(30)	Lower-than-anticipated consumption
Fuel tax	775	**760**	(15)	Lower consumption
Freehold mineral rights tax	318	**418**	100	Higher energy prices
Insurance taxes	263	**279**	16	Higher-than-anticipated cash receipts
Tourism levy	74	**74**	-	
	3,770	**3,841**	71	
Non-Renewable Resource Revenue				
Natural gas and by-products royalty	5,684	**8,679**	2,995	Higher natural gas price
Crude oil royalty	1,601	**3,005**	1,404	Higher oil price
Synthetic crude oil and bitumen royalty	3,402	**5,471**	2,069	Higher oil price
Coal royalty	14	**38**	24	Higher coal prices
Bonuses and sales of Crown leases	868	**1,495**	627	Higher conventional/oil sands lease sales
Rentals and fees	140	**150**	10	Increased oil sands leased hectares
	11,709	**18,838**	7,129	
Transfers from Government of Canada				
Health transfers	1,604	**1,721**	117	Prior years adjustments
Canada Social Transfer	1,121	**1,131**	10	Prior years adjustments
Agriculture support programs	333	**359**	26	Growing Forward Transition Agreement
Other	737	**722**	(15)	Miscellaneous changes
	3,795	**3,933**	138	
Net Income from Commercial Operations				
Alberta Gaming and Liquor Commission:				
Gaming and lottery revenue	1,516	**1,516**	-	
Liquor revenue	680	**680**	-	
Alberta Treasury Branches	262	**262**	-	
Other	7	**8**	1	Miscellaneous changes
	2,465	**2,466**	1	
Investment Income				
Alberta Heritage Savings Trust Fund	774	**774**	-	
Endowment Funds:				
Medical Research	57	**57**	-	
Science and Engineering Research	30	**30**	-	
Scholarship	29	**29**	-	
Alberta Capital Finance Authority	329	**329**	-	
Agriculture Financial Services Corporation	111	**105**	(6)	Lower lending volumes
Sustainability Fund	205	**250**	45	Higher investment returns
Debt Retirement Account	62	**65**	3	Higher investment returns
Capital Account	185	**270**	85	Higher asset balance and investment returns
Other	150	**208**	58	Higher balances
	1,932	**2,117**	185	
Premiums, Fees and Licences				
Health care insurance premiums	752	**755**	3	Increased number of registrants
Motor vehicle licences	365	**365**	-	
Crop and hail insurance premiums	171	**171**	-	
Timber rentals and fees	38	**37**	(1)	Pine beetle infestations
Land titles	80	**80**	-	
Other	416	**420**	4	Miscellaneous changes
	1,822	**1,828**	6	
Other				
Refunds of expense	109	**109**	-	
Climate Change and Emissions Management	92	**92**	-	
Fines and penalties	110	**110**	-	
Miscellaneous	379	**375**	(4)	Miscellaneous changes
	690	**686**	(4)	
Total Revenue	38,571	**46,584**	8,013	

EXPENSE

TOTAL EXPENSE

Total expense is $1.0 billion higher than the budget estimate, reflecting:

- $233 million net increase in operating expense, of which $208 million is charged to the Contingency Allowance and $25 million is funded from lapses in budgeted capital grants and amortization;
- $119 million net increase in capital grants;
- $224 million increase in natural gas rebates;
- $448 million in additional disaster/emergency assistance;
- $26 million increase in dedicated revenue/expense.

SUSTAINABILITY FUND

Disaster/Emergency Assistance – $448 million increase: $92 million for forest fire-fighting costs, $300 million for agricultural income support for livestock producers, $16 million for the Alberta Meat and Livestock Agency, and $40 million for municipal flooding and wildfire assistance programs.

Natural Gas Rebates – $549 million in natural gas rebates are now expected to be paid, $224 million more than budgeted, due to higher forecast natural gas prices.

CAPITAL ACCOUNT

There is a net $119 million increase in capital grants. Capital grants funded from the Capital Account have increased by $142 million reflecting additional support for schools and post-secondary projects and increased municipal capital support for the Wood Buffalo Region. These increases are partly offset by $23 million lapse in budgeted capital grants related to Climate Change and Emissions Management Fund.

FUNDING FROM THE CONTINGENCY ALLOWANCE

$325 million was set aside as a Contingency Allowance in *Budget 2008*, for increases in spending not funded from the Sustainability Fund / Capital Account, or as a result of dedicated revenue/expense changes. A net $208 million has been allocated primarily to health, housing and film development programs, leaving $117 million in the Contingency Allowance.

MINISTRY EXPENSE CHANGES

Advanced Education and Technology – $32 million net increase, consisting of a $30 million capital grant for the Trades and Technology Center at SAIT and a net $2 million increase in other expense.

Agriculture and Food – $342 million net increase. Increases of $300 million in support for livestock producers, $16 million for a new Alberta Livestock and Meat Agency, and $35 million in federal-provincial support for potato producers and industry development initiatives under the Growing Forward Transition Agreement are offset by a $9 million lapse in production insurance indemnities.

Culture and Community Spirit – $17 million increase. $14 million for the Film Development Program and $3 million for SuperNet connection in the Olds region.

Education – $44 million increase, consisting of a $21 million increase for the school P3 project and $23 million in other school capital projects.

Health and Wellness – $177 million net increase. $97 million for health authority net accumulated deficit elimination and $80 million for transition costs related to moving to a single health authority.

Housing and Urban Affairs – $50 million increase, mostly for the Homeless and Eviction Prevention Fund and Direct to Tenant Rent Supplement Program.

Infrastructure – $219 million increase. As a result of higher natural gas prices, an increase of $224 million in natural gas rebates is forecast, slightly offset by other program lapses.

Municipal Affairs – $40 million increase for municipal flooding and wildfire assistance programs.

Sustainable Resource Development – $92 million increase for forest fire-fighting costs.

Transportation – $85 million net increase primarily for capital grants for water infrastructure in the Wood Buffalo Region.

Provision for Capital Cost Escalation – $27 million reallocated to Education and Health and Wellness from the provision for capital grants cost escalation.

Other Ministries – $23 million net decrease, primarily due to a reduction in Climate Change and Emissions Management Fund expense related to lower-than-forecast 2007-08 revenue (Environment).

EXPENSE SUMMARY

(millions of dollars)

	2008-09		
	Budget	1st Quarter Forecast	Change from Budget
Program Expense			
Operating expense [a]	29,769	**30,002**	233
Capital grants [b]	5,904	**6,023**	119
Natural gas rebates	325	**549**	224
Disaster/emergency assistance	50	**498**	448
Capital amortization and nominal sum disposals	735	**733**	(2)
Dedicated revenue/expense increases/(decreases) [c]	-	**26**	26
Total Program Expense	36,783	**37,831**	1,048
Debt Servicing Costs	220	**220**	-
Total Expense	37,003	**38,051**	1,048

[a] The $233 million net increase in operating expense includes $208 million increase funded from the Contingency Allowance and $25 million in lapses from budgeted capital grants and capital amortization.

[b] There is a $142 million increase in capital grants funded from the Capital Account less a $23 million lapse in budgeted capital grants.

[c] Dedicated revenue/expense changes – Agriculture and Rural Development: $26.3 million for federal agriculture support programs; Culture and Community Spirit: $0.6 million related to the operations of the Jubilee Auditoria; Sustainable Resource Development: $0.5 million for the Western Canadian Conservation Law Enforcement Academy; Advanced Education and Technology: $0.4 million for Alberta International Business Partnering Program; Energy: $2 million net decrease relating to the Alberta Geological Survey.

EXPENSE BY MINISTRY

(millions of dollars)

	2008-09			
	Budget	1st Quarter Forecast	Change from Budget	Main Reasons for Change from Budget
Program				
Legislative Assembly	91	**91**	-	
Aboriginal Relations	117	**117**	-	
Advanced Education & Technology	3,425	**3,457**	32	Capital grants
Agriculture and Rural Development	1,010	**1,352**	342	Livestock producer support
Children and Youth Services	1,098	**1,098**	-	
Culture and Community Spirit	553	**570**	17	Film Development Program
Education	5,848	**5,892**	44	School capital projects
Employment and Immigration	920	**920**	-	
Energy	403	**404**	1	Reclassification of IT expense
Environment	403	**380**	(23)	Unrealized 2007-08 revenue
Executive Council	30	**30**	-	
Finance and Enterprise	1,003	**1,001**	(2)	Reduced amortization costs
Health and Wellness	13,230	**13,407**	177	Health authority deficits/transition costs
Housing and Urban Affairs	574	**624**	50	Eviction prevention/rent supplement
Infrastructure	964	**1,183**	219	Natural gas rebates
International and Intergovernmental Relations	29	**29**	-	
Justice	523	**523**	-	
Municipal Affairs	691	**731**	40	Flood/wildfire assistance
Seniors and Community Supports	1,914	**1,914**	-	
Service Alberta	295	**295**	-	
Solicitor General and Public Security	583	**584**	1	Transfer from capital investment
Sustainable Resource Development	375	**467**	92	Forest fire-fighting costs
Tourism, Parks and Recreation	248	**248**	-	
Transportation	2,199	**2,284**	85	Capital grants
Treasury Board	68	**68**	-	
Provision for capital cost escalation	189	**162**	(27)	Transfers to ministries
Total Program Expense	36,783	**37,831**	1,048	
Debt Servicing Costs	220	**220**	-	
Total Expense	37,003	**38,051**	1,048	

CAPITAL PLAN

2008-09 Capital Plan spending is forecast at almost $9.0 billion, up $253 million from budget. This includes a net $119 million increase in capital grants and a net $134 million increase in capital investment. Spending from the new Public Transit Fund and the Carbon Capture and Storage Fund is not expected to start until 2009-10.

Municipal Infrastructure Support – $1.6 billion. No change from budget.

Provincial Highway Network – $2.0 billion. This is a $102 million increase from budget, primarily reflecting carry-over of projects from 2007-08, re-profiling of the Anthony Henday Drive project and funding for highway infrastructure in the Wood Buffalo Region.

Health Facilities and Equipment – $1.4 billion. This is an $18 million increase from budget and primarily reflects the carry-over of 2007-08 projects.

Post-secondary Facilities – $874 million. This is a $33 million increase from budget, primarily reflecting funding for the SAIT Trades and Technology Complex.

Schools – $672 million. This is $48 million higher than budgeted, including additional funding for the school P3 project and modular classrooms.

Community Facilities – $402 million. This is a decrease of $124 million from budget reflecting changes in the construction schedule for the Royal Alberta Museum project.

Water and Wastewater Management – $341 million, $81 million higher than budgeted. $86 million provided in support of water and wastewater projects in the Wood Buffalo Region is partly offset by a $5 million reallocation to the Government Facilities envelope for the Livestock Strategy.

Housing – $410 million, up a net $1 million from budget, due to a capital for emergent projects transfer.

Government Facilities, Equipment and Other Capital – $883 million, an increase of a net $114 million from budget. Increases mainly reflect funding for redevelopment of Federal Building/Legislature grounds, ring road land purchases, the Information Management and Technology Strategy, and projects carried over from 2007-08.

Capital for Emergent Projects – $137 million, $7 million higher than budgeted. A $16 million carry-over of unfinished 2007-08 projects is partially offset by $9 million in reallocations to other functions.

Provision for Cost Escalation – $282 million remains unallocated, while $27 million has been allocated to the school P3 project and to health projects.

CAPITAL PLAN SUMMARY

(millions of dollars)

	2008-09		
	Budget	1st Quarter Forecast	Change from Budget
Municipal infrastructure support	1,626	**1,626**	-
Provincial highway network	1,852	**1,954**	102
Health facilities and equipment	1,375	**1,393**	18
Post-secondary facilities	841	**874**	33
Schools	624	**672**	48
Community facilities	526	**402**	(124)
Water and wastewater management	260	**341**	81
Housing	409	**410**	1
Government facilities, equipment and other capital	769	**883**	114
Capital for emergent projects	130	**137**	7
Provision for cost escalation on approved projects	309	**282**	(27)
Total Capital Plan	8,721	**8,974**	253
Capital Plan			
Current-year revenue	1,661	**1,615**	(46)
Capital Account	6,865	**6,805**	(60)
Alternatively financed	195	**554**	359
Total Capital Plan	8,721	**8,974**	253

NET FINANCIAL AND CAPITAL ASSETS

Net Assets – Net assets at March 31, 2009 are forecast at $54.0 billion. This is $8.3 billion higher than at March 31, 2008 and includes capital assets of $16.4 billion which are being increased by $2.2 billion.

Heritage Fund – The net book value of the Heritage Fund is forecast at $17.0 billion. This is $544 million higher than at March 31, 2008. The increase is made up of $525 million for inflation-proofing and $19 million from 2007-08 fourth quarter results.

Capital Account – Total assets are forecast at $7.0 billion, a decrease of $424 million from March 31, 2008, but an increase of $1.1 billion over the budget estimate. The increase from budget reflects a $616 million allocation from 2007-08 fourth quarter results and a $429 million allocation from the 2008-09 first quarter surplus.

Public Transit Fund and Carbon Capture and Storage Fund – $2 billion has been allocated to a new Public Transit Fund and $2 billion to a new Carbon Capture and Storage Fund. It is expected that funding of capital projects from these two new funds will start in 2009-10.

Unallocated Savings – The current 2008-09 forecast includes $2.5 billion in financial assets that have been allocated to savings based on the in-year surplus allocation policy. As a final decision has not yet been made as to which savings vehicle(s) will receive these funds, this $2.5 billion is currently reported as unallocated savings on the balance sheet.

BALANCE SHEET

(millions of dollars)

	at March 31				
	2008	2009			
			1st Quarter	Change from	
	Actual	Budget [a]	Forecast	Budget	2008 Actual
Financial Assets					
Heritage Fund equity	*16,412*	16,710	**16,956**	246	544
Self-supporting lending organizations	*7,950*	8,841	**8,841**	-	891
Alberta Sustainability Fund	*7,653*	7,653	**7,653**	-	-
Endowment and other funds [b]	*3,783*	3,737	**3,738**	1	(45)
Unallocated savings	-	-	**2,508**	2,508	2,508
Capital Account	*7,472*	5,973	**7,048**	1,075	(424)
Carbon Capture and Storage Fund	-	-	**2,000**	2,000	2,000
Public Transit Fund	-	-	**2,000**	2,000	2,000
Equity in commercial enterprises	*2,262*	2,386	**2,445**	59	183
Debt Retirement Account	*1,794*	1,170	**1,170**	-	(624)
Other financial assets	*8,602*	9,301	**8,625**	(676)	23
Total Financial Assets	*55,928*	55,771	**62,984**	7,213	7,056
Liabilities					
Accumulated debt	*1,784*	1,160	**1,160**	-	(624)
Pension obligations	*7,883*	8,070	**8,070**	-	187
Self-supporting lending organizations	*7,251*	8,048	**8,048**	-	797
Liabilities for alternatively financed capital projects	*439*	664	**993**	329	554
Other liabilities	*7,044*	7,035	**7,058**	23	14
Total Liabilities	*24,401*	24,977	**25,329**	352	928
Net Financial Assets	*31,527*	30,794	**37,655**	6,861	6,128
Capital Assets	*14,140*	16,254	**16,358**	104	2,218
Net Assets	*45,667*	47,048	**54,013**	6,965	8,346
Adjustment for pension obligations	*7,883*	8,070	**8,070**	-	187
Net Assets for Fiscal Policy Purposes [c]	*53,550*	55,118	**62,083**	6,965	8,533

[a] Budget numbers have been restated to reflect 2007-08 actual results.

[b] Includes the Medical Research Endowment Fund, Science and Engineering Research Endowment Fund, Scholarship Fund, Alberta Cancer Prevention Legacy Fund, Energy Innovation Fund, Climate Change and Emissions Management Fund and Alberta Enterprise Corporation.

[c] Under the *Fiscal Responsibility Act*. Excludes pension obligations and equity of Crown-controlled SUCH sector organizations.

2008–09 FISCAL YEAR ASSUMPTIONS AND SENSITIVITIES[a]

	Sensitivities ($ millions)				Assumptions	
	Annual Change	Revenue	Spending	Net Change	Budget	1st Quarter Forecast
Oil Price WTI (US$/bbl) [b]	-$1.00	-130	_	-130	78.00	119.25
Natural Gas Price (Cdn$/GJ)	-10 cents	-114	_	-114	6.75	8.50
Exchange Rate (US¢/Cdn$)	+1 cent	-210	_	-210	98.8	98.8
Interest Rates:	+1%	-191	+5	-196		
3-month Canada treasury bills					2.50	2.55
10-year Canada bonds					3.50	3.75
Equity Market Value	-1%	-32	_	-32		
Personal Income	-1%	-90	_	-90	7.8%	7.8%
Corporate Taxable Income	-1%	-78	_	-78	-0.8%	16.1%

[a] Sensitivities based on prices and rates forecast at budget.

[b] Alberta Wellhead Oil Price (Cdn$/bbl) 69.97 108.71

NET FINANCING REQUIREMENTS[a]

(millions of dollars)

	2008-09		
	Budget	1st Quarter Forecast	Change from Budget
Requirements:			
General Revenue Fund term debt maturities	550	**550**	-
School construction loan repayments	52	**52**	-
Alberta Social Housing Corporation debt repayment	22	**22**	-
Accumulated debt financing requirements	624	**624**	-
Agriculture Financial Services Corporation term borrowing requirements	285	**352**	67
Gross financing requirements	909	**976**	67
Cash applied to accumulated debt repayment	(624)	**(624)**	-
Net Term Debt Financing Requirements	285	**352**	67
Term debt financing completed to date	-	**75**	75

[a] Does not include alternative financing for government or financing requirements of Alberta Capital Finance Authority or ATB Financial.

CAPITAL ACCOUNT

(millions of dollars)

	2007-08	2008-09			
			1st Quarter	Change from	
	Actual	Budget	Forecast	Budget	2007-08 Actual
Assets at Start of Year	*6,091*	7,472	**7,472**	-	1,381
Allocations to Capital Account:					
Actual/Budgeted	*5,555*	5,336	**5,336**	-	(219)
From 2007-08 4th quarter results	-	30	**616**	586	616
From forecast increase to 2008-09 surplus (1st quarter)	-	-	**429**	429	429
Total allocations	5,555	5,366	**6,381**	1,015	826
Withdrawals:					
Capital grants to local authorities	*(3,012)*	(4,791)	**(4,933)**	(142)	(1,921)
Government-owned capital investment	*(1,162)*	(2,074)	**(1,872)**	202	(710)
Total withdrawals	*(4,174)*	(6,865)	**(6,805)**	60	(2,631)
Assets at End of Year	*7,472*	5,973	**7,048**	1,075	(424)

CAPITAL GRANTS TO LOCAL AUTHORITIES AND OTHER INFRASTRUCTURE SUPPORT [a]

(millions of dollars)

	2008-09		
	Budget	1st Quarter Forecast	Change from Budget
Legislative Assembly	-	-	-
Aboriginal Relations	-	-	-
Advanced Education and Technology	835	868	33
Agriculture and Rural Development	40	40	-
Children and Youth Services	15	15	-
Culture and Community Spirit	270	273	3
Education	624	668	44
Employment and Immigration	4	4	-
Energy	2	2	-
Environment	157	134	(23)
Executive Council	-	-	-
Finance and Enterprise	6	6	-
Health and Wellness	1,305	1,310	5
Housing and Urban Affairs	312	314	2
Infrastructure	123	121	(2)
International and Intergovernmental Relations	-	-	-
Justice	-	-	-
Municipal Affairs	461	461	-
Seniors and Community Supports	96	96	-
Service Alberta	-	-	-
Solicitor General and Public Security	5	5	-
Sustainable Resource Development	-	-	-
Tourism, Parks and Recreation	72	72	-
Transportation	1,373	1,458	85
Treasury Board	15	14	(1)
Provision for capital cost escalation	189	162	(27)
	5,904	6,023	119
Funded from the Capital Account	4,791	4,933	142
Alternatively financed	150	171	21

[a] Included in program expense. Includes support for project planning and accommodation and facility preservation.

CAPITAL INVESTMENT AND AMORTIZATION[a]

(millions of dollars)

	2008-09 Capital Investment			2008-09 Capital Amortization		
	Budget	1st Quarter Forecast	Change from Budget	Budget	1st Quarter Forecast	Change from Budget
Legislative Assembly	2	**2**	-	1	**1**	-
Aboriginal Relations	-	**-**	-	-	**-**	-
Advanced Education and Technology	10	**10**	-	8	**8**	-
Agriculture and Rural Development	13	**13**	-	13	**13**	-
Children and Youth Services	2	**2**	-	4	**4**	-
Culture and Community Spirit	3	**4**	1	2	**2**	-
Education	1	**3**	2	1	**1**	-
Employment and Immigration	4	**4**	-	3	**3**	-
Energy	23	**20**	(3)	17	**17**	-
Environment	3	**3**	-	22	**22**	-
Executive Council	-	**-**	-	-	**-**	-
Finance and Enterprise	14	**14**	-	8	**6**	(2)
Health and Wellness	70	**83**	13	69	**69**	-
Housing and Urban Affairs	-	**-**	-	24	**24**	-
Infrastructure	470	**448**	(22)	72	**72**	-
International and Intergovernmental Relations	-	**-**	-	-	**-**	-
Justice	4	**4**	-	8	**8**	-
Municipal Affairs	1	**1**	-	2	**2**	-
Seniors and Community Supports	5	**5**	-	1	**1**	-
Service Alberta	42	**78**	36	38	**38**	-
Solicitor General and Public Security	24	**8**	(16)	2	**2**	-
Sustainable Resource Development	33	**48**	15	13	**13**	-
Tourism, Parks and Recreation	36	**40**	4	13	**13**	-
Transportation	1,936	**2,041**	105	315	**315**	-
Treasury Board	1	**-**	(1)	1	**1**	-
Provision for cost escalation on approved projects	120	**120**	-	-	**-**	-
Total Capital Investment/Amortization	2,817	**2,951**	134	637	**635**	(2)
Funded from the Capital Account	2,074	**1,872**	(202)	-	**-**	-
Alternatively financed	45	**383**	338	-	**-**	-

[a] Capital Investment includes purchases of inventory. Capital Amortization includes consumption of inventory.

ALBERTA SUSTAINABILITY FUND

(millions of dollars)

	2008-09		
	Budget	1st Quarter Forecast	Change from Budget
Assets at Start of Year	7,653	**7,653**	-
Transfers to (withdrawals from) the Sustainability Fund			
Non-renewable resource revenue above $5.3 billion	6,409	**13,538**	7,129
Other net transfers			
Increase in other revenue	-	**884**	884
Change in dedicated revenue/expense	-	**(26)**	(26)
Withdrawals for disaster/emergency/natural gas rebates			
Disaster/emergency assistance	(50)	**(498)**	(448)
Natural gas rebates	(325)	**(549)**	(224)
Net transfer to Sustainability Fund	6,034	**13,349**	7,315
Adjustments			
Fourth quarter results [a]	49	**928**	879
Cash transfered to Capital Account for current-year capital grants	(4,791)	**(4,933)**	(142)
Cash adjustments (excluding Contingency Allowance, see table below)	(864)	**(1,147)**	(283)
Total adjustments	(5,606)	**(5,152)**	454
Assets Prior to Allocation	8,081	**15,850**	7,769
Allocation to:			
Alberta Enterprise Corporation	(100)	**(100)**	-
Heritage Fund - inflation proofing	(279)	**(525)**	(246)
Capital			
Capital Account -2007-08 4th quarter allocation	(30)	**(616)**	(586)
Carbon Capture and Storage Fund	-	**(2,000)**	(2,000)
Public Transit Fund	-	**(2,000)**	(2,000)
Capital Account - 2008-09 1st quarter allocation	-	**(429)**	(429)
Savings			
Heritage Fund - deposit - 2007-08 4th quarter allocation	(19)	**(19)**	-
Unallocated	-	**(2,508)**	(2,508)
Assets at End of Year	7,653	**7,653**	-

[a] The cash from the higher-than-forecast 2007-08 fourth quarter results was transferred into the Sustainability Fund in 2008-09.

CASH ADJUSTMENTS/REQUIREMENTS

(millions of dollars)

	2008-09		
	Budget	1st Quarter Forecast	Change from Budget
Capital investment cash requirements	(2,074)	**(1,872)**	202
Retained income of funds and agencies [a]	(144)	**(119)**	25
Cash adjustments			
Energy royalties [b]	(222)	**(726)**	(504)
Other	47	**101**	54
Contingency Allowance	(325)	**(117)**	208
Net withdrawal from Capital Account	1,529	**1,469**	(60)
Total cash adjustments/requirements	(1,189)	**(1,264)**	(75)

[a] Due primarily to retained income of Alberta Treasury Branches and Agriculture Financial Services Corporation.

[b] Due primarily to cash adjustments for natural gas royalties.

ACTUAL RESULTS

FOR THE FIRST THREE MONTHS OF 2008–09

METHOD OF CONSOLIDATION

This fiscal summary is prepared on the same basis as used in *Budget 2008*, which reflects the organization of government effective on April 1, 2008.

The results of all government departments, funds and agencies, except those designated as commercial enterprises, are consolidated on a line-by-line basis. Revenue and expense transactions between consolidated entities have been eliminated.

The accounts of Crown-controlled corporations and provincial agencies designated as commercial enterprises are included on the modified equity basis, the equity being computed in accordance with Canadian generally accepted accounting principles applicable to those entities.

The accounts of Crown-controlled SUCH sector organizations such as school boards, universities, colleges, technical institutes and regional health authorities that are controlled by the government are not included in this fiscal summary. These Crown-controlled entities are included in the consolidated financial statements forming part of the Government of Alberta Annual Report.

BASIS OF FINANCIAL REPORTING

The consolidated fiscal summary reports revenue (including gains and losses from sale of capital assets), expense (including amortization of capital assets), and net revenue.

Revenue and expense are recorded using the accrual basis of accounting. Cash received for goods or services which have not been provided by period end is recorded as unearned revenue. Revenue excludes the change in equity in Crown-controlled SUCH sector organizations for fiscal update purposes.

Expense includes the province's cash payments towards the unfunded pension obligations. Expense excludes the change in the unfunded pension obligations, which is a non-cash expense that does not affect borrowing requirements.

Debt servicing costs include interest payable and amortization of discount on debt issues.

Comparative 2007-08 figures have been restated where necessary to conform to the 2008-09 presentation.

CONSOLIDATED FISCAL SUMMARY

for the three months ended June 30, 2008

(millions of dollars)

	First Three Months		
	2008-09	2007-08	Change
Revenue			
Income taxes	3,034	2,714	320
Other taxes	946	883	63
Non-renewable resource revenue	4,272	2,680	1,592
Transfers from Government of Canada	720	720	-
Net income from commercial operations	625	646	(21)
Premiums, fees and licences	699	627	72
Investment income	512	983	(471)
Other	130	131	(1)
Total Revenue	**10,938**	**9,384**	**1,554**
Expense			
Program Expense			
Legislative Assembly	21	18	3
Aboriginal Relations	4	8	(4)
Advanced Education and Technology	650	583	67
Agriculture and Rural Development	240	97	143
Children and Youth Services	252	233	19
Culture and Community Spirit	75	67	8
Education	1,241	1,164	77
Employment and Immigration	204	186	18
Energy	60	51	9
Environment	44	33	11
Executive Council	5	5	-
Finance and Enterprise	228	194	34
Health and Wellness	2,817	2,478	339
Housing and Urban Affairs	77	61	16
Infrastructure	113	97	16
International and Intergovernmental Relations	5	5	-
Justice	111	88	23
Municipal Affairs	572	66	506
Seniors and Community Supports	430	403	27
Service Alberta	64	48	16
Solicitor General and Public Security	129	102	27
Sustainable Resource Development	115	113	2
Tourism, Parks and Recreation	36	33	3
Transportation	347	459	(112)
Treasury Board	9	8	1
Total Program Expense	**7,849**	**6,600**	**1,249**
Debt servicing costs	49	51	(2)
Total Expense	**7,898**	**6,651**	**1,247**
Net Revenue	**3,040**	**2,733**	**307**

PRODUCED BY

Alberta
Finance and Enterprise